

OLL 83-2073/9  
3 November 1983

MEMORANDUM FOR: Deputy Director of Personnel for  
Special Programs

SUBJECT: Resolution of Potential Dual Retirement  
Coverage for New Employees Hired  
1 January 1984 or Later

REFERENCE: MFR OLL 83-2073/5 dated 21 September 1983,  
Subject: Federal Employees Retirement  
Contribution Temporary Adjustment Act of  
1983

SUMMARY: Senator Ted Stevens (R., AK), Chairman of the Civil Service, Post Office, and General Services Subcommittee of the Senate Committee on Governmental Affairs, has negotiated a compromise on the subject issue. Senator Stevens' Bill will provide that:

- federal employees initially hired in January 1984 or later will temporarily be relieved of the full contribution amount to federal retirement program (in the case of CIA, the Civil Service Retirement System);
- in lieu, they will contribute only 1.3% to the retirement system, in addition to full Social Security and meditaax contributions (the result being an 8.0% retirement/meditaax cost for new employees vice an 8.3% retirement/meditaax cost for employees hired prior to January 1984).

In sum, employees hired in January 1984 or later will be afforded full Civil Service Retirement System coverage at a cost of 1.3% of their base pay, in addition to Social Security and meditaax coverage at costs of 5.4% and 1.3% of base pay, respectively. The compromise provides for nearly identical retirement costs for both categories of federal employees.

2. Additional provisions of the Stevens' Bill are covered in the attached sectional analysis. Also attached is the draft bill as it will be introduced. Senator Stevens' legislative strategy is to introduce his Bill as an amendment to the Physicians Pay Comparability Act (H.R. 2077), as passed by the House, rather than introduce a stand-alone

bill. The House Post Office and Civil Service Committee, which will have House jurisdiction in conference, is supportive of the Stevens' Bill and will support the action when H.R. 2077 is passed by the Senate and referred to conference.

3. This office will report further on this subject as appropriate. My sense of the issue, however, is that the Agency no longer faces the likelihood of dual retirement withholdings for new January 1984 employees. One way or another, I believe, Senator Stevens--now with Office of Management and Budget's tacit support, will find a strategy (this one or another) that will result in legislative resolution of the current problem.

STAT

Attachments  
As stated

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SECTIONAL ANALYSIS OF  
THE FEDERAL EMPLOYEES' RETIREMENT CONTRIBUTION  
TEMPORARY ADJUSTMENT ACT OF 1983

Section 1 states that the Act may be cited as the "Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983".

Section 2 is a statement of the policy of this legislation. It generally provides that employees of the federal government who for the first time will be covered under the Social Security Act beginning in January of 1984 will temporarily be relieved of the full contribution amount to the various federal retirement systems. Instead, they will contribute, in addition to the social security amount, 1.3% to the retirement system covering them. This provision will terminate at the earlier of enactment of a new retirement plan or January 1, 1986.

It also provides that the government will assure continuing contributions be made into the retirement funds to keep the funds solvent. It also states that once a new plan is established covering employees hired after January of 1984, such employees will be transferred to the new program. Finally, any benefits received during the interim period will be offset by any social security benefits received.

Section 3 is a list of definitions. The two important definitions are "covered retirement system" and "covered service".

Covered retirement system means the Civil Service Retirement Program, the Foreign Service Retirement Program, the Central Intelligence Agency Retirement Program, and any other federal retirement program which includes employees who will for the first time be required to make social security payments beginning in January of 1984 and who also are currently required to make contributions to a retirement program.

Covered service means service which beginning in January of 1984 is considered employment for the purposes of the Social Security Act.

Section 4 calls for reducing employees' required contributions to their retirement programs to 1.3% of basic pay. It also requires that agencies continue to contribute the full employee contribution to the retirement programs as they do under current law.

Section 5 provides that the Treasury will directly appropriate to the retirement funds the remainder of the employee's contribution which the employees are not paying. Those amounts will be amortized over a 30-year period.

Section 6 provides that any benefit received under the retirement programs during this interim period such as survivor and disability benefits will be offset dollar-for-dollar by any social security benefits received for the same purpose attributable to the interim period.

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Section 7 provides that any federal employee hired after January of 1984 and who becomes covered under the Social Security System shall be transferred to the new government retirement system when that system is established. All credit accrued under the current retirement programs shall be transferred to the new program and such credit shall be terminated for benefit purposes under the current retirement programs.

Section 8 provides that those employees who are currently employed in the federal government but who also will be covered under the social security program shall only be entitled to a benefit based upon service during this interim period if they make the full deposit under the program as required by law. The two exceptions are for an employee who becomes entitled to a disability benefit or who dies during service and whose survivor becomes entitled to a benefit. In these cases, a redeposit is not necessary.

It also provides that if a new retirement program is not enacted by January 1, 1986, those employees hired during the interim period will be required to redeposit full contributions to the respective retirement funds to gain credit under the current retirement programs for the interim period.

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